

MESSAGE FROM THE BOARD MEMBERS

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This fiscal year 2003 Performance and Accountability Report summarizes the accomplishments of the Railroad Retirement Board (RRB) in administering the retirement and survivor benefit program provided under the Railroad Retirement Act (RRA) and the unemployment and sickness insurance benefit program provided under the Railroad Unemployment Insurance Act (RUIA). We are proud of the agency's dedicated employees whose achievements are reflected in this report.

The RRB has a long and distinguished tradition of excellence in serving our customers. We have achieved high levels of accuracy and timeliness in the benefit programs we administer. We have achieved high scores for customer service in independent assessments of those receiving railroad retirement benefits and unemployment and sickness insurance benefits. The RRB's web site (www.rrb.gov) has also been very well received by the public and was rated in the top 10 percent of Federal government sites, excelling in help features, ease of use, and accessibility. The RRB has also demonstrated its continuing commitment to responsible stewardship of the benefit programs we administer, as reflected by the unqualified ("clean") opinions on the RRB's financial statements for the past 4 years. In addition, although the OIG disclaimed an opinion for fiscal year 1999, on February 2, 2001, it removed its disclaimer and issued a clean opinion on the principal statements for that fiscal year as well.

The performance and financial data presented in this report is complete and reliable in accordance with guidance available from the Office of Management and Budget (OMB). We have identified no material inadequacies, and this report describes our continuing efforts to provide timely and useful information to RRB managers, OMB, the Congress and our constituents.

For fiscal year 2003, the results of the evaluation of controls prescribed by the Federal Managers' Financial Integrity Act (FMFIA), as well as other information (such as internal audits), provide reasonable assurance that the RRB's system of controls complies with Section 2, Internal Controls, and Section 4, Financial Systems, of the FMFIA. The adequacy and effectiveness of our management controls and the compliance of our financial management systems with government-wide requirements is further delineated in our Statement of Assurance which is included in the Management's Discussion and Analysis section of this report. That statement also provides the status of the actions we are taking to correct deficiencies in operational and technical controls that constitute a material weakness in our Information Security Program.

We will continue to use information technology and innovation to provide excellent customer service to the railroad employers, railroad employees, and beneficiaries that we serve. We are also committed to prudent stewardship over the agency trust funds and the administrative resources entrusted to us.



Michael S. Schwartz
Chairman



V. M. Speakman, Jr.
Labor Member



Jerome F. Kever
Management Member

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SUMMARY OF FINANCIAL HIGHLIGHTS

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Summary of Financial Highlights

The RRB's principal Fiscal Year 2003 Financial Statements (prepared on a consolidated basis, which eliminates all significant interfund balances and transactions) are comprised of the Balance Sheet and Statements of Net Cost, Changes in Net Position, Financing and Custodial Activity. The Statement of Budgetary Resources was prepared on a combined basis. Although not previously subject to the provisions of the Chief Financial Officers Act of 1990, the RRB has voluntarily complied with guidelines and standards issued by the Office of Management and Budget (OMB) and the Federal Accounting Standards Advisory Board (FASAB) as they relate to the issuance of financial statements. With the passage of the Accountability of Tax Dollars Act of 2002, Public Law 107-289, the RRB is required to prepare and submit to the Congress and OMB annual audited financial statements. The financial statements have been prepared to report the financial position and results of operations of the RRB, pursuant to the requirements of that Act. All statements have been prepared from the books and records of the RRB and are in accordance with the format prescribed by OMB, under Bulletin 01-09. The statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. Fiscal year 2003 supplementary schedules included are Intragovernmental Activity and Balances, Disaggregate of Program Costs (Consolidated Schedule of Salaries and Expenses and Benefit Payments), and Disaggregate of Budgetary Resources.

As required by law, the Dual Benefits Payments Account was prepared on a cash basis of accounting. Payroll taxes and unemployment contributions are recorded on a modified cash basis of accounting in accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 7. Otherwise, these financial statements were prepared on an accrual basis of accounting in accordance with generally accepted government accounting principles and standards prescribed by the U.S. General Accounting Office (GAO), Department of the Treasury (Treasury), FASAB, and OMB. These statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication is that liabilities not covered by budgetary resources cannot be liquidated without legislation that provides resources to do so.

During fiscal year 2003 (ended September 30, 2003), the RRB incurred \$8.9 billion, net of recoveries, in retirement and survivor benefits. Unemployment and sickness insurance benefit payments totaled \$94.1 million in fiscal year 2003, net of recoveries. During fiscal year 2003, the RRB also paid benefits on behalf of the Social Security Administration (SSA) (for which the RRB is reimbursed) amounting to almost \$1.2 billion to about 135,000 beneficiaries. The following table provides the number of beneficiaries for the RRA and RUIA programs.

Number of Beneficiaries Paid in Year			
Fiscal Year	RRA Beneficiaries	UI Claimants	SI Claimants
1994	874,000	21,000	22,000
1995	847,000	16,000	21,000
1996	818,000	17,000	20,000
1997	800,000	15,000	21,000
1998	772,000	11,000	21,000
1999	748,000	13,000	22,000
2000	724,000	14,000	23,000
2001	700,000	18,000	24,000
2002	684,000	17,000	24,000
2003	666,000	15,000	23,000

At the end of fiscal year 2003, the average annuity paid to retired rail employees was about \$1,609 a month, spouse benefits averaged \$598 a month, and benefits for aged widow(er)s averaged \$985 a month. The maximum biweekly rate for unemployment and sickness insurance benefits was \$550.

During fiscal year 2003, the RRB used 66 specific program performance indicators to manage and track progress in meeting agency long-term strategic plan goals. We met or exceeded planned performance levels for 45 (79 percent) out of 57 reportable indicators. Performance results are not currently available for 9 other indicators.

In fiscal year 2003, the Railroad Retirement Board (RRB) transferred \$19.188 billion to the National Railroad Retirement Investment Trust (NRRIT) for investment. To prepare for the transfers in fiscal year 2003, the RRB sold investments that generated \$1.586 billion in capital gains.

Shown below are snapshots of the net position, financing sources, and benefit payments (before elimination of inter-fund transactions) for the RRB accounts. All dollar amounts are in millions.

Net Position, Financing Sources, and Benefit Payments

<u>NET POSITION AT SEPTEMBER 30</u>	<u>2003</u>	<u>2002</u>
Social Security Equivalent Benefit Account	\$422.0	\$ 1,805.7
Railroad Retirement Account	113.0	16,857.6
Railroad Retirement Administration Fund	3.7	3.0
Railroad Unemployment Insurance Trust Fund --		
Benefit Payments	43.7	8.9
Administrative Expenses	7.8	6.8
Limitation on the Office of Inspector General	.1	1.0
Dual Benefits Payments Account	12.1	15.0
Federal Payments to the Railroad Retirement Accounts	.2	0.3
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Total	\$602.6	\$18,698.3
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<u>FINANCING SOURCES FOR FISCAL YEAR</u>		
Social Security Equivalent Benefit Account	\$ 3,962.9	\$5,466.9
Railroad Retirement Account	(13,156.0)	2,164.5
Railroad Retirement Administration Fund	108.2	104.9
Railroad Unemployment Insurance Trust Fund --		
Benefit Payments	129.1	82.8
Administrative Expenses	1.0	(1.1)
Limitation on the Office of Inspector General	6.2	6.3
Dual Benefits Payments Account	129.4	142.1
Federal Payments to the Railroad Retirement Accounts <u>1/</u>	430.1	336.1
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Total	\$(8,389.1)	\$8,302.5
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<u>BENEFIT PAYMENTS FOR FISCAL YEAR <u>2/</u></u>		
Social Security Equivalent Benefit Account	\$5,158.3	\$5,124.4
Railroad Retirement Account	3,587.7	3,414.9
Railroad Unemployment Insurance Trust Fund --		
Unemployment Insurance	43.9	52.8
Sickness Insurance	50.2	53.0
Dual Benefits Payments Account	129.4	142.2
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Total	\$8,969.5	\$8,787.3
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1/ Includes funds subsequently transferred to other accounts. Such inter-fund transfers are eliminated in the preparation of the consolidated statements.

2/ Net of recoveries and excludes SSA benefit payments.